

1982 WL 189237 (S.C.A.G.)

Office of the Attorney General

State of South Carolina

April 5, 1982

***1 Re: Certified Financial Statements Required of a Contractor under Section 40-11-160**

Mr. H. B. Ross
Executive Director
Licensing Board for Contractors
P. O. Box 5737
Columbia, SC 29250

Dear Mr. Ross:

You have written to inquire whether or not Section 40-11-160, which states that the Contractors Licensing Board shall not issue a license to any contractor who performs contracts in excess of \$75,000.00 until the contractor furnishes the Board with a financial statement certified by a Certified Public Accountant or a Public Accountant, may be met by furnishing the Board with a compilation' of financial statements. The South Carolina Supreme Court in [Hunter & Walden Co. v. South Carolina Licensing Board for Contractors](#), 272 S.C. 211, 251 S.E.2d 186 (1978) has held that the administrative regulation requiring applicants for an unlimited contractor's license to show a minimum net worth of \$50,000.00 was valid as bearing a reasonable relation to the statutory requirement that a financial statement be submitted along with the contractor's licensing application. The object of requiring a statement of net worth and a financial statement is the protection of the general public against insolvent contractors or those unable to successfully meet the financial burdens of large scale general contracting.

A compilation is merely a type of accounting service which presents in the form of financial statements information supplied by the contractor. The accountant does not obtain any assurance as to the conformity of the statements with generally accepted accounting principals or any other comprehensive basis of accounting. All information on the statement is obtained strictly from the contractor and the public accountant is not required to verify information furnished by the client. The statements have not been audited or reviewed and thus the accountant cannot express any opinion as to their accuracy. In other words, due to the limitations basic in the compiling of the financial statement, a compilation only reflects the information given by the contractor and the accountant does not assume any responsibility for errors and irregularities behind the face of the documents. The next level of accounting would be the performance of a 'Review'. This entails questions of management by the accountant, but third parties are not asked to confirm figures and, again, no opinion as to the accuracy of the statement is given. The third and highest level of financial statement is the certified financial audit. This is the most detailed accounting the primary involves not only a review of the documents underlying the primary books and invoices, etc., but also questions are asked of third parties to confirm the figures and to see that all accounting numbers are as represented by the party undergoing the audit. After the audit, an opinion is rendered by the accountant which may be relied on.

After having spoken with members on the University faculty at the University of South Carolina in Public Accounting, and relying on their opinion that the statutory language would mean to an accountant that a certified financial audit would need to be done, it is the opinion of this office that the language requiring a financial statement certified by a certified public accountant or a public accountant mandates that a full certified financial audit be done of the contractor's books for the benefit and protection of the public. I hope that this opinion will be of assistance to you.

Sincerely,

***2** Judith Evans Finuf
Assistant Attorney General

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